

NEW APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

E-01773A-06-0084

IN THE MATTER OF THE ARIZONA ELECTRIC  
POWER COOPERATIVE, INC. FOR  
AUTHORIZATION TO INCUR DEBT AND  
SECURE LIENS IN ITS PROPERTY TO FINANCE  
ITS CONSTRUCTION WORK PLAN

DOCKET NO. E-01773A- - -

APPLICATION

Pursuant to A.R.S. § 40-301, *et seq.*, the Arizona Electric Power Cooperative, Inc.

("AEPCO" or the "Cooperative") in support of its Application states as follows:

1. AEPCO is an Arizona non-profit electric generation cooperative which supplies all or most of the power and energy requirements of its five Arizona Class A member distribution cooperatives.

2. The Cooperative's Board of Directors is comprised of representatives of its members. Attached hereto as Exhibit A is a Board resolution approving the financing described in this Application. The loan amount requested is lower than that authorized by the Board because the Commission has already separately approved financing for one of the projects – a low-volume wastewater pond – in Decision No. 68065 dated August 17, 2005.

3. AEPCO has developed its Construction Work Plan for 2005-2008 (the "CWP"). The CWP identifies necessary improvements, upgrades and replacements to its generation plant which are anticipated to be required over the next three years. Attached hereto as Exhibit B is a schedule which provides additional detail on the facilities which currently comprise the CWP.

1           4.     By this Application, AEPCO seeks Commission approval to obtain both interim  
2 and long-term financing for the CWP. Because federal permanent financing may not be  
3 available in the near future, AEPCO asks that the Commission authorize it (a) to secure interim  
4 CWP financing in an amount not to exceed \$29.2 million from the National Rural Utilities  
5 Cooperative Finance Corporation ("CFC") and (b) to secure a permanent loan in an amount not  
6 to exceed \$29.2 million from the Rural Utilities Service/Federal Financing Bank long-term loan  
7 program, when available, to repay and replace the CFC interim financing.

8           5.     For the reasons discussed below, the Cooperative also requests that the  
9 Commission authorize AEPCO to change the specific facilities to be financed in the CWP  
10 without the necessity of filing an Amended Application so long as the total amount financed  
11 remains below \$29.2 million. The planning, analysis and construction of the facilities  
12 comprising the CWP takes more than four years. Three of AEPCO's Class A members serve  
13 rapidly growing areas of the state. While both the members and the Cooperative attempt to  
14 anticipate accurately facilities costs, future demands and generation plant needs, the reality is  
15 that the CWP must constantly be re-evaluated as costs of projects are finalized, needs change and  
16 demands grow.

17           6.     For example, actual construction costs may and likely will vary from current  
18 estimates allowing different or additional facilities to be built within the approved limit. Further,  
19 the precise facilities required to meet generation requirements over the multi-year span of the  
20 CWP will change based on a variety of factors. Technological innovations or changes in  
21 environmental requirements are two such factors.

22           7.     In light of this, to conserve both the Commission's and Cooperative's time and  
23 resources, AEPCO requests that the Commission authorize it to borrow up to \$29.2 million on an  
24

1 interim and permanent basis to fund its CWP "as the CWP may be amended." This would still  
2 limit borrowing to the approved amount, but allow the Cooperative flexibility to react to  
3 changing circumstances on its system and within its members' service territories.

4 WHEREFORE, having fully stated its Application, AEPCO requests that the  
5 Commission enter its Order:

6 A. Authorizing AEPCO to secure interim financing in an amount not to exceed  
7 \$29.2 million from the CFC to finance its 2005-2008 Construction Work Plan as the same may  
8 be amended;

9 B. Authorizing AEPCO to secure a permanent long-term loan from the Rural  
10 Utilities Service/Federal Financing Bank guaranteed loan program, when available, to finance its  
11 2005-2008 Construction Work Plan as the same may be amended in an amount not to exceed  
12 \$29.2 million to replace the interim financing;

13 C. Authorizing AEPCO to grant liens in its property as required in order to secure  
14 the borrowings authorized; and

15 D. Authorizing AEPCO to engage in any transactions and to execute any documents  
16 necessary to effectuate the authorizations granted.

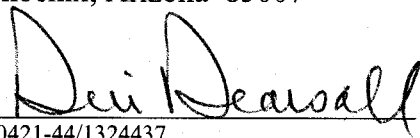
17 RESPECTFULLY SUBMITTED this 10<sup>th</sup> day of February, 2006.

18 GALLAGHER & KENNEDY, P.A.

19  
20 By Michael M. Grant  
21 Michael M. Grant  
22 Todd C. Wiley  
23 2575 East Camelback Road  
24 Phoenix, Arizona 85016-9225  
Attorneys for Arizona Electric Power  
Cooperative, Inc.

1 **Original and thirteen** copies filed  
this 10<sup>th</sup> day of February, 2006, with:

2 Docket Control  
3 Arizona Corporation Commission  
1200 West Washington  
4 Phoenix, Arizona 85007

5 

6 10421-44/1324437

**EXHIBIT A**

## ARIZONA ELECTRIC POWER COOPERATIVE, INC.

The following resolution was adopted at a **regular meeting** of the Board of Directors of Arizona Electric Power Cooperative, Inc. (AEPCO), held in Benson, Arizona on March 9, 2005.

### RESOLUTION

***WHEREAS**, the Management of Arizona Electric Power Cooperative, Inc. (AEPCO) has recommended and the Board of Directors has previously approved AEPCO's 2005-2008 Construction Work Plan (CWP); and*

***WHEREAS**, the Management of AEPCO recommends and the Board of Directors authorizes the funding of the 2005-2008 CWP through the acquisition of interim financing with the National Rural Utilities Cooperative Finance Corporation (CFC) until permanent financing can be obtained through the Rural Utilities Service (RUS), Federal Financing Bank (FFB) loan program; and*

***WHEREAS**, it has been determined that the aggregate loan amount for Budget Purpose #3 projects totals \$32,248,000; and*

***WHEREAS**, as required by Arizona statutes, AEPCO is required to obtain the necessary approvals from the Arizona Corporation Commission (ACC) prior to issuing or otherwise acquiring new long term debt;*

***NOW, THEREFORE BE IT RESOLVED**, that the Board of Directors hereby authorizes Management to file a financing application with the Rural Utilities Service for a guaranteed Federal Financing Bank loan in the amount of \$32,248,000 for Budget Purpose #3 (Generation) projects to be used to finance the capital facilities as specified in the 2005-2008 Construction Work Plan; and*

***BE IT FURTHER RESOLVED**, that the RUS guaranteed FFB loan shall bear a maturity date not to exceed December 31, 2035; and*

***BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes Management to file a financing application with National Rural Utilities Cooperative Finance Corporation requesting interim financing, including, if necessary a lien accommodation from RUS until permanent financing is obtained through the RUS; and*

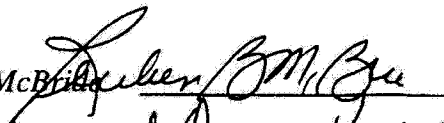
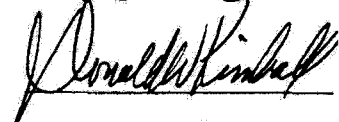
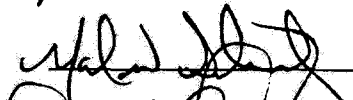
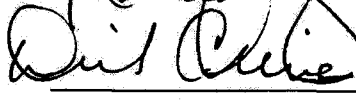
***BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes Management to seek and otherwise obtain the necessary approvals from the Arizona Corporation Commission to acquire additional long term debt in the aggregate amount of \$32,248,000 to fund the Cooperative's 2005-2008 CWP; and*

***BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes its officers and the Executive Vice President and CEO of AEPCO to execute and attest to all necessary papers, documents, and applications related to the loan application; and*


**BE IT FURTHER RESOLVED**, that the President of the Board of Directors, any Corporate Officer and/or Executive Vice President and CEO are hereby authorized on behalf of AEPCO to: (1) execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing notices, in the form of such instruments attached to the note payable to FFB; and (2) to specify information and select the most appropriate and economical repayment option as provided in such instruments; and

**BE IT FURTHER RESOLVED**, that the Board of Directors authorizes the RUS to release the appropriate information and data relating to the application to the FFB and any supplemental lenders as may be necessary in connection with the execution of the loan application or the issuance of debt through the advance requests, maturity extensions, prepayment and/or refinancing notices; and

**BE IT FURTHER RESOLVED**, that each of the following individuals whose signatures appear below, be and hereby, are authorized to enter into and execute, in the name and on the behalf of Arizona Electric Power Cooperative Inc., any such agreements and/or amendments to existing agreements necessary or appropriate to give effect to the purposes and intent of the foregoing resolutions:

<u>OFFICER</u>	<u>NAME</u>	<u>SIGNATURE</u>
President	Reuben B. McBride	
Executive Vice President & CEO	Donald W. Kimball	
Senior Vice President & COO	Mark W. Schwirtz	
Chief Financial Officer	Dirk C. Minson	

I, Lyn R. Opalka, do hereby certify that I am Secretary of AEPCO, and that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors at a **regular meeting** held on March 9, 2005.

  
Secretary

(seal)

**EXHIBIT B**



**2005 - 2008 Construction Work Plan (P-8 Loan Package)**

<b>RUS Code</b>	<b>Project Name</b>	<b>Project Number</b>	<b>Estimate</b>
1200.1	ST2 Flux Probes - Generator	5000580010	\$14,512
1200.2	ST2 Scrubber Pump Suction Screens	5000611010	\$31,418
1200.3	Coal Bunker CO Monitoring	5000619000	\$61,787
1200.4	ST2/3 Scrubber Maintenance Platforms	5000674000	\$28,544
1200.7	ST2/3 Air Washer Duct Upgrades	5000572000	\$148,950
1200.8	ST2&3 Centac Controls Upgrade	5000576010	\$117,773
1200.9	New Deep Well 70	5000618000	\$522,960
1200.10	ST1 CEM Analyzers & Probes Replacement	5000624010	\$83,512
1200.11	ST3 CEM Analyzers & Probes Replacement	5000624012	\$96,819
1200.12	Turbine Gantry Cranes VFDs	5000629000	\$89,523
1200.13	Cable Tray Fire Stops	5000633000	\$191,060
1200.14	ST3 SDAS Outlet Damper Seal Upgrade	5000653011	\$44,641
1200.15	4A/4B Conveyor Sump Pump Upgrade	5000656010	\$72,091
1200.16	Track Hopper Sump Pump Upgrade	5000657010	\$78,349
1200.17	Land Acquisition for Water Resources	5000662000	\$4,271,750
1200.18	ST3 SDAS Upper Loop Spray Nozzle Upgrade	5000671011	\$65,811
1200.19	Coal Feeder and Conveyor Upgrades	5000675000	\$546,369
1200.20	Plant Air Flow Inst Upgrade	5000677010	\$28,331
1200.21	ST1 Circ Water Suction Screen	5000679010	\$26,551
1200.22	Coal Cleanout Conveyor	5000682000	\$51,080
1200.23	ST2 Precip Outlet Exp Joint Replacement	5000437010	\$191,698
1200.24	Deep Well Line Replacement	5000440000	\$707,075
1200.25	ST2 Over Fire Air Modifications	5000460010	\$820,969
1200.26	ST2 Scrubber Demister Upgrades	5000562010	\$366,217
1200.27	ST2 Scrubber Demister Pipe Upgrade	5000616010	\$61,310
1200.28	ST2 CEM Analyzers & Probes Replacement	5000624011	\$93,789
1200.29	Process Control Network Upgrade	5000625000	\$292,325
1200.30	Transformer Critical Spares	5000632000	\$2,197,485
1200.31	Plant Vibration Monitoring Upgrade	5000634000	\$212,000
1200.32	ST2 Turbine Seal Packing Upgrade	5000644010	\$244,444
1200.33	ST2 SDAS Outlet Damper Seal Upgrade	5000653010	\$44,641
1200.34	ST2 SDAS Tower Outlet Duct Upgrade	5000654010	\$1,453,598
1200.35	Coal Handling Washdown System	5000661000	\$212,318
1200.36	ST2&3 Condenser Expansion Joints and Isolation Valves	5000665000	\$390,429
1200.37	ST2 SDAS Upper Loop Spray Nozzle Upgrade	5000671010	\$62,529
1200.38	ST2&3 Cooling Tower Upgrades	5000427000	\$12,328,355
1200.39	New Deep Well 71	5000457000	\$589,522
1200.40	ST3 SDAS Tower Outlet Duct Upgrade	5000654011	\$1,446,265
1200.41	Coal Yard Rolling Equipment	5000681000	\$914,261
	<b>Total</b>		<b>\$29,201,061</b>